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"BEST PRACTICES" IN POLICIES AND MEASURES

Report by the secretariat

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I. INTRODUCTION

A. Mandate

1. The Conference of the Parties, by its decision 8/CP.4, requested the secretariat to prepare a report on "best practices" in policies and measures for consideration by the Subsidiary Body for Scientific and Technological Advice (SBSTA) at its eleventh session, based on Annex I Party national communications and their reviews and on additional information submitted by Parties by 15 August 1999, as well as any other relevant information, with a view to strengthening the sharing of experience and exchange of information. It also requested the secretariat to organize a workshop to assess "best practices" in policies and measures on the basis of the conclusions of the SBSTA, at its eleventh session, and to report the results to the Conference of the Parties at its sixth session (FCCC/CP/1998/16/Add.1, decision 8/CP.4, annex II). The Government of Denmark has kindly offered to host this workshop in Copenhagen from 11 to 13 April 2000.

B. Scope of the note

2. This document has been prepared in response to the above-mentioned request. It considers information contained in Parties' submissions, second national communications and in-depth review reports in relation to "best practices" in policies and measures. It also presents possible approaches to assessing "best practices" in policies and measures and suggests issues for consideration at the workshop. Document FCCC/SBSTA/1999/MISC.10 contains submissions from Parties related to "best practices" in policies and measures.

C. Possible action by the SBSTA

3. The SBSTA may wish to consider the information contained in this report and in document FCCC/SBSTA/1999/MISC.10 and to recommend approaches to sharing of experience and exchanging information on "best practices" in policies and measures, including possible topics for discussion at the Copenhagen workshop in April 2000, with a view to reporting results of the discussions to the Conference of the Parties at its sixth session.

II. "BEST PRACTICES" IN POLICIES AND MEASURES

A. Summary of Parties' views on "best practices"

4. The submissions received from five Parties (FCCC/SBSTA/1999/MISC.10) stressed the importance of sharing experience about "best practices" in policies and measures. Parties described those policies which they regard as "best practice", given their national circumstances. Some suggested possible approaches for initiating the exchange of experience on "best practices" and for defining this concept; these suggestions are summarized below.

5. **Australia** considers that inherent difficulties exist in developing an internationally applicable concept of "best practice" for greenhouse gas (GHG) mitigation policies, as policies need to be considered in the context of differing national circumstances. It may not be possible to develop a hierarchy of "best practices", given that a policy effective in one country may not be effective in another. For that reason, the concept of "good practice" in policy development may be more useful. This "good practice" may encompass the need for policies to fit into a national mitigation strategy, tailoring policies to national circumstances, equity, cost effectiveness, multiple benefits, involvement of all levels of society, research findings and linking mitigation policies with other government policy.

6. **The European Community** (EC) notes that the concept of "best practice" could refer to the optimum use of proven technology and techniques for cost-effectively reducing GHG emissions, best available technology or techniques and optimal development of policy. Furthermore, in general, policies and measures should aim to significantly reduce and minimize GHG emissions, comply with sustainable development and be transferable to other conditions. Indicators could be used in reporting on "best practices". The EC notes that, although policies and measures are currently mainly implemented at the national or regional level, the prospect of developing internationally coordinated policies and measures should not be excluded. The workshop could, through case studies, best practice guides and reports on new and future best practices, stimulate replication, provide information on innovative measures and facilitate technology transfer.

7. **Japan's** submission describes its policies and measures to mitigate GHG emissions. The descriptions encompass research efforts, targets for changes in activity levels, timing, involvement of various sectors etc.

8. **Switzerland's** submission contains fact sheets on various policies and measures covering a description of the various policies or measures; their objectives, schedule and status of implementation; indicators of success or estimate of impact and references to resources of documentation.

9. **The United States of America** believes it important to consider the elements and circumstances that most account for the success of individual policies and measures. In this regard it has found that policies are most successful when they are "best fits" in six basic ways. Policies should (i) be flexible to changing circumstances and regional differences, (ii) provide multiple benefits and not conflict with other policy goals, (iii) recognize existing institutional frameworks, established processes and transparent ways of public participation, (iv) be cost-effective, (v) match key attributes of the technologies they target, and (vi) be implemented with clear accountability and enforcement measures.

B. Approach

10. The secretariat gave detailed consideration to the information contained in the second national communications from Annex I Parties and corresponding in-depth review reports. It focused on those national communications which included a quantified description of policies and measures. Without specific guidance on the ways to consider the issue of "best practices" and given the different views expressed by Parties in their submissions, the secretariat only considered the extent to which it may be possible to identify which policies and measures were most successful in terms of GHG emission reductions. In this regard, it also considered whether it is possible to discern the link between policies and measures and actual and projected GHG emission trends, taking into account national circumstances.

C. Information derived from national communications and in-depth reviews

11. Annex I Parties vary considerably in the presentation of information about policies and measures in their second national communications. Some Parties do not quantify the amount of GHG emissions saved. Some rank their policies and measures or provide qualitative indications of their relative importance. Where quantified estimates of actual or projected reductions in GHG emissions are given, it is not always clear whether these are related to implemented or planned policies and measures. It is not obvious in many cases whether emission reduction estimates are provided cumulatively for a period of time or for a given year. Furthermore, the UNFCCC guidelines for the preparation of national communications do not require presentation of the underlying analysis. In general, sections on national circumstances, GHG inventories, policies and measures and projections are not sufficiently informative or analytical to allow the secretariat to establish the link between specific policies and measures and trends in GHG emissions, even at a high level of aggregation.

12. Additional information about policies and measures is made available to the secretariat during in-depth reviews. There are no obligations on Parties to provide specific types of information and often the focus is on developments since the publication of the national communication. Most of the information is of a qualitative nature. So, whilst the in-depth reviews add to the volume of information available to the secretariat, they do not enhance the comparability of that information or provide further insights into the nature of "best practice".

13. Taking into account the difficulties in analysing the information derived from national communications and in-depth reviews, the secretariat was not in a position to ascertain whether particular policies and measures may constitute "best practice". The lack of a common definition for this concept and differences in approaches among Parties also contributed to these difficulties. Given the desire of Annex I Parties to share information on this subject, the workshop planned for April 2000 in Copenhagen should provide an opportunity to establish a framework for such an exchange. Some possible approaches to the consideration of "best practices" which Parties may wish to consider in advance of the workshop are suggested below.

D. Possible issues for further consideration

14. Article 2.1(a) of the Kyoto Protocol requires each Annex I Party, in accordance with its national circumstances, to implement policies and measures in achieving its quantified emission limitation and reduction commitments under Article 3, whilst Article 2.1(b) requires Parties to share their experience and exchange information on such policies and measures, including developing ways of improving their comparability, transparency and effectiveness. Taking these Articles into account, Parties may wish to consider the objectives of the forthcoming Copenhagen workshop in terms of reaching a common understanding of what is meant by "best practices", how "best practices" can be assessed, how results can be shared between countries, and by developing ways in which analyses of "best practice" could be readily compared between countries.

15. Parties may wish to consider, *inter alia*, the following issues and questions for the workshop:

(a) What is the appropriate context for consideration of "best practices": the national or international level; should consideration be given to specific economic sectors or specific technologies ?

(b) To what extent could the concept of "best fit" be used when identifying "best practices"?

(c) Which criteria for assessment of "best practices" could be considered:

(i) GHG emissions saved, cost effectiveness, ancillary benefits, equity;
(ii) Compatibility with national circumstances and with the overall GHG mitigation strategy;
(iii) Compatibility with existing institutional framework in relation to other policy goals;
(iv) Optimum use of technology/techniques;
(v) Links to sustainable development;
(vi) Involvement of all stakeholders;
(vii) Replicability; flexibility;
(viii) Accountability and enforcement;
(ix) Use of research findings?

(d) Should key criteria be identified first and, if so, ranked in terms of importance ?

(e) What level of detail should be provided if some of the above criteria are considered relevant as a basis for further discussions ?

E. Further possible analysis of "best practices"

16. Having established criteria in relation to "best practices", Parties may then consider possible approaches to analysis and preferably quantitative monitoring. In this context the ongoing work in a number of intergovernmental organizations may be of particular importance (see section F and annex).

17. Parties may wish to consider the evaluation of planned policies and measures, monitoring of policies and measures in place and *ex post* appraisal of policies and measures.

18. Analysis could be conducted at an aggregate level or be more specific and disaggregated. Parties could conduct simple analysis that would allow for the isolation, for example, of temperature fluctuations, cross-border electricity trade, economic growth and other national circumstances from the effects of energy and environmental policy on GHG emission trends. This could be a starting point for more detailed analysis of particular policies and measures, with the aim of identifying successful ones and those that "make a difference".

19. Parties may wish to consider to what extent indicators could be used in consideration of "best practices" in policies and measures. They could be helpful in identifying the reasons behind particular patterns of, for example, energy use and thereby facilitate the planning and implementation of particularly relevant measures. Which indicators could be used for cross-country comparisons could also be a subject for deliberation.

20. Industry and businesses are key players in implementing "best practices" in the context of regulations which require "best available technology" or "best available technology not entailing excessive cost". Moreover, industries operating in competitive markets need to employ "best practices" to maintain and enhance their competitiveness and market share. For these reasons, many industries have developed systems or indicators called "benchmarking", which allow for comparisons and identification of potential performance improvement. Parties may wish to consider the role of industry in informing the debate on "best practices".

21. Parties may wish to share information about the key criteria they employ in assessing policies and measures and how they measure such criteria as GHG emissions saved, costs and ancillary benefits.

F. Other sources of information on policies and measures

22. A brief description is given here of some of the work which has been or is being conducted by international organizations which may be of relevance to discussions on "best practices" in policies and measures. Parties may wish to take into account existing work in deciding how to proceed in the context of the UNFCCC.

Intergovernmental Panel on Climate Change (IPCC) and United Nations Environment Programme (UNEP)

23. In September 1996, the IPCC decided to hold a workshop on 'Mitigation and Adaptation Cost Assessment, Concepts, Methods and Appropriate Use'. This was held at Risø, Denmark from 16 to 18 June 1997, hosted by the UNEP Collaborating Centre on Energy and Environment. As a result of the workshop a handbook has been published, following a full IPCC scientific review. This defines and clarifies cost concepts for use in the field of climate change. The specific purpose of the handbook is to (i) define, explain and discuss the relevant cost concepts and their limitations, (ii) establish correspondence across sectors, (iii) explain frequently used terminology, and (iv) illustrate the applicability of these cost concepts in the formulation of national climate change policy and programmes.

24. UNEP has developed guidelines as part of a Global Environment Facility project on the "Economics of Greenhouse Gas Limitations". Their aim is to establish a methodological framework for climate change mitigation assessment, with particular emphasis on the needs of developing countries, although many of the concepts are equally applicable to developed countries. The guideline document establishes a general overview of the main components of climate change mitigation assessment. This includes an outline of key economic concepts, scenario structure, common assumptions, modelling tools and country study assumptions.

25. The IPCC third assessment report is currently under preparation. Working Group III works on various chapters which might be of interest to Parties in considering "best practices" in policies and measures. In particular, the chapters entitled "Technical and economic potential of GHG emissions reduction", "Barriers, opportunities and market potential of technologies and practices", "Policies, measures and instruments", "Costing methodologies", "Global, regional and national costs and ancillary benefits of mitigation" and "Sectoral costs and ancillary benefits of mitigation" could be relevant.

Organisation for Economic Co-operation and Development (OECD)

26. The OECD has produced a number of papers related to policies and measures, in particular via the Annex I Expert Group. During the course of 1997 and 1998, the Annex I Expert Group produced 18 working papers on different aspects of policies and measures. These covered measures to reduce carbon dioxide emissions from road vehicles, coal and electricity subsidies, full cost pricing, carbon/energy taxation, energy efficiency standards for traded products, financing energy efficiency products in countries with economies in transition, GHG reduction options in agriculture and forestry, voluntary agreements with industry, emissions trading, marine and bunker fuel taxation, aviation fuel taxation, innovation in transport behaviour and technology, economic instruments, renewable energy sources in electricity generation, agricultural policy reform, energy utility voluntary agreements and electricity market reforms. In a recent publication, *National Climate Policies and the Kyoto Protocol*, the OECD outlines member countries' overall GHG emission and mitigation policy trends. The book also synthesizes

OECD recommendations from a wide body of environmental policy analysis, as well as from the policy studies mentioned above, to suggest a framework for domestic mitigation policy in the context of the Kyoto Protocol.

27. A workshop was held in Paris from 29 to 30 October 1997 to discuss "Greenhouse Gas Emission Projections and Estimates of the Effects of Measures: Moving Towards Good Practice". This resulted in an information paper which briefly covers methods for baseline and "with measures" projections, methods for estimating effects of individual measures, *ex post* verification, moving towards quality assurance and estimating the cost of GHG mitigation. The OECD and the IEA are currently organizing round tables to facilitate the exchange of information and experience among Annex I Parties on domestic mitigation policy. The round tables provide an opportunity for selected countries to highlight and discuss with other government representatives recent developments and results in a particular policy area. The first round table considered domestic GHG initiatives, and the second, policies in the energy supply sector.

International Energy Agency (IEA)

28. The IEA has published a series of books in the 'Policy Analysis Series', some of which are listed in the annex. The organization has been developing a set of energy indicators since 1995 in collaboration with Australia, Canada, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Sweden, the United Kingdom of Great Britain and Nothern Ireland and the United States.

29. The IEA is currently conducting a project related to policies and measures in relation to meeting targets under the Kyoto Protocol and beyond. This work focuses on energy and draws on detailed energy indicator databases and historical energy end-use trends in OECD member States. Initial consideration will be given to past energy development in trying to understand the driving factors behind growth in energy services and factors related to technology development which cause fuel switching and improved energy efficiency.

Annex

INDICATIVE LIST OF PUBLICATIONS RELATED TO THE CONSIDERATION OF POLICIES AND MEASURES

The following publications may be of interest to Parties when considering approaches to the issue of "best practices" in policies and measures. The list, which is given in the alphabetic order of the titles, is not supposed to be exhaustive or represent the views of the secretariat on the merits of the approaches suggested in these publications.

Economics of Greenhouse Gas Limitations: Methodological Guidelines, 1998, UNEP, ISBN 87-550-2490-4

Economics of Greenhouse Gas Limitations: The Indirect Costs and Benefits of Greenhouse Gas Limitations, 1998, UNEP, ISBN 87-550-2458-0

Energy Efficiency Initiative: Energy Policy Analysis, Volumes 1 and 2, 1997, Danish Energy Agency, IEA, OECD, Energy Charter

Energy Policies of IEA Countries: 1997 Review, 1997, IEA, ISBN 92-64-15610-0

Greenhouse Gas Emission Projections and Estimates of the Effects of Measures: Moving Towards Good Practice, 1998, OECD, Ref: ENV/EPOC(98)10

Handbook on International Comparisons of Energy Efficiency in the Manufacturing Industry, Department of Science, Technology and Society, Utrecht University, 1998, ISBN 90-73958-41-5

Mitigation and Adaptation Cost Assessment Concepts, Methods and Appropriate Use, 1998, UNEP, ISBN: 87-550 2435-1

National Climate Policies and the Kyoto Protocol, 1999, OECD

OECD round tables and presentations: see http://www.oecd.org/env/cc

Reforming Energy and Transport Subsidies, 1997, OECD, ISBN 92-64-15681-X

The Link between Energy and Human Activity, IEA, ISBN 92-64-15690-9

Transport, Energy and Climate Change, 1997, IEA, ISBN 92-64-15691-7

Voluntary Actions for Energy-Related CO_2 Abatement, 1997, IEA, ISBN 92-64-14657-1

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